

NEWS RELEASE

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DeNUCCI SAYS LACK OF CONTROLS RESPONSIBLE FOR THEFTS AT MASS. BAY C.C.

State Auditor Joe DeNucci reported today that a lack of adequate internal controls over student payments at Massachusetts Bay Community College resulted in a theft of \$49,786 in cash and checks from a college safe.

In addition, the college was billed \$1,200 for fraudulently obtained memberships to adult entertainment Web sites. Furthermore, more than \$2,000 in unauthorized personal telephone and credit card expenses was charged to a college bank account.

DeNucci commended the college's administration for promptly reporting these problems to his office, as required by the state's Internal Controls Law, and initiating corrective action in response to his recommendations.

According to DeNucci's report, the cash and checks, representing a deposit of student tuition and fee payments, were missing from a safe that may have been left unlocked. MassBay officials reported the theft to the campus police and the Wellesley Police Department, which investigated the incident. The case is still under investigation. In the meantime, the college notified the payers of the 67 checks to place a stop payment order on the missing checks and to issue a new check to the college. To date, MassBay has recovered \$34,525 from 50 of the payers, and plans to send another notification to the payers of the remaining 17 missing checks.

College officials acknowledged the theft was the result of inadequate security. DeNucci's audit further cited long delays in processing student payments as a contributing factor, noting that the missing items had been on hand for four to 41 days without being deposited. A test of additional deposits found similar delays in depositing the revenues.

MassBay officials agreed with the findings of DeNucci's audit and indicated that they are making deposits on a timely basis. Also, the college said it has purchased an automated revenue software package as part of a newly acquired accounting system.

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In another finding, DeNucci's audit disclosed that Mass Bay was charged \$1,291 by three Internet billing companies for memberships to three adult entertainment Web sites, which were set up fraudulently using Mass Bay bank accounts. The fraudulent charges were not detected for a 16-month period from February 2000 to May 2001. Citing client privacy laws, the billing companies would not divulge information needed to determine who was responsible for opening these accounts. The Norfolk County District Attorney's Office was contacted to assist in the investigation.

DeNucci said the college did not detect the fraudulent charges because it failed to reconcile its monthly bank statements during a 15-month period. The charges were stopped after a new accountant discovered the problem.

The college's accountant also discovered \$2,066 in unauthorized charges to the student payments bank account consisting of checks and ATM transfers for payment of personal telephone and credit card expenses. The bank notified its fraud department of these unauthorized payments and has reimbursed Mass Bay for \$112, although the college is seeking reimbursement of the entire amount under the bank's 60-day notice policy for fraudulent transactions.

MassBay officials also agreed with these findings and indicated the college has begun reconciling bank accounts on a monthly basis. DeNucci said the college has also made substantial progress toward correcting problems identified in two prior audits issued by his office.

"I am pleased that the administration at MassBay recognized these weaknesses and took corrective action as soon as it became aware of these problems," said DeNucci. "The current administration of the college has been very responsive to my recommendations in this and previous reports."

